

TENNESSEE GENERAL ASSEMBLY
FISCAL REVIEW COMMITTEE



FISCAL MEMORANDUM

HB 175 – SB 252

April 27, 2012

SUMMARY OF AMENDMENT (009345): Deletes all language after the enacting clause. Authorizes any local education agency and cities that are not operating a city school system on the effective date of the act to convert to, or create, an innovative school district through a contract negotiated with the state Department of Education (DOE) and approved or denied by the State Board (SBOE). Such a district created by a city must assure a minimum enrollment of 1,500 students but may not be located in a county with a metropolitan form of government pursuant to Article XI, Section 9 of the Tennessee Constitution. Contracts will authorize the waiving of state laws, rules, or regulations excluding certain regulatory or statutory requirements; include accountability and student achievement components; and include corrective actions. All LEAs and such cities that elect to convert to an innovative school district shall develop a 10-year strategic plan. A public hearing will be held to discuss the conversion and strategic plan before any contract is submitted or negotiated with the DOE. The DOE shall submit recommendations on each contract received to the SBOE. Contracts shall be for a term of five years and may be renewed, or modified, at the end of any five-year period for a subsequent five-year period. The school board at the time of conversion will continue to be the board of education of the innovative school district. If a conversion is for a city that was not operating a school system on the effective date of the act, the contract shall provide for the election of school board members. All taxes, taxing authorities, and BEP local maintenance of effort (MOE) shall remain in place. Contracts shall provide for the funding of an innovative school district that is being started by a city that was not operating a school district upon the effective date of the act.

Authorizes two or more cities that are not operating a school system on the effective date of the act to create a joint innovative school district. The Comptroller's Office of Research and Education Accountability (OREA) shall monitor converted districts and report to the DOE if these districts are not meeting yearly progress goals. Requires the DOE to provide guidance to innovative school districts not meeting their yearly progress goals. This act shall take effect upon becoming law.

FISCAL IMPACT OF ORIGINAL BILL:

Increase Local Expenditures – Not Significant/Permissive

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FISCAL IMPACT OF BILL WITH PROPOSED AMENDMENT:

Increase Local Expenditures – Not Significant/Permissive

Other Fiscal Impact – Any municipality choosing to form an innovative school district will become a local education agency (LEA) independent from the county LEA; will receive money from the state through the Basic Education Program (BEP); and will have a new local BEP maintenance of effort (MOE) requirement. BEP funding will shift from the county LEA to the new innovative municipal LEA. The shift in BEP funding from the county to the new innovative LEA is unknown but is estimated to exceed \$5,916,000. The exact amount of the new local MOE is unknown and will depend on the number of students in the new LEA and the fiscal capacity of the new school district. Any increase in permissive local expenditures to fund the new school district's portion of the BEP local match is estimated to exceed \$3,139,500. The MOE for the county LEA will be reduced according to the number of students who leave the county LEA. The total increase in permissive local funding will likely be higher than the new MOE; however, this amount cannot be reasonably quantified or estimated.

Assumptions applied to amendment:

- No change in the BEP formula.
- The BEP currently funds each student at a rate of \$6,037 (\$3,944 state and \$2,093 local match).
- In future years the BEP will fund students at a higher per pupil rate.
- According to State Board of Education rules, there must be at least 1,500 students in the new municipal school district.
- BEP funding will shift from the county LEA to the newly created innovative municipal LEA in an amount exceeding \$5,916,000 (1,500 x \$3,944).
- The increase in permissive local expenditures will exceed \$3,139,500 (1,500 x \$2,093). The BEP local match does not include expenditures above and beyond the local match. A majority of school systems in Tennessee are currently funding their systems with local dollars that are well above the BEP required local match. Any increase in permissive local expenditures above and beyond the required MOE cannot be reasonably quantified.
- Debt obligations, if any, will be transferred to the new city innovative school system if the new system takes over existing county LEA school buildings or facilities. The amount of this debt transfer cannot be reasonably quantified.
- All funding for any existing converting local education agency (LEA) that currently exists will remain as before the conversion.
- No impact on the BEP formula for existing LEAs.

- Any increase in local expenditures to develop a strategic plan, hold a public hearing, or other expenses associated with converting to an innovative school district will be permissive. These expenditures will be not significant.
- According to OREA, monitoring of contracts will be done by existing staff without additional resources.
- The DOE will negotiate contracts with existing staff without an increase in personnel or a reduction in other budget items.
- The SBOE will discuss and review innovative school district contracts within their regular meeting schedule or through specially called meetings via teleconference.
- The DOE will review and make recommendations to the SBOE without an increase in personnel or a reduction in other budget items.

CERTIFICATION:

The information contained herein is true and correct to the best of my knowledge.

A handwritten signature in black ink, appearing to read "Lucian D. Geise". The signature is fluid and cursive, with the first name "Lucian" written in a larger, more prominent script than the last name "Geise".

Lucian D. Geise, Executive Director

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